The House adjourned for lunch at forty-six minutes past one of the clock.

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The House reassembled after lunch at forty-eight minutes past two of the clock, **The Vice-Chairman (Shri H. Hanumanthappa)** in the Chair.

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## STATEMENT BY MINISTER

### I. Re. New Institutional Arrangement for Ship Financing

THE MINISTER OF FINANCE (SHRI VISHWANATH PRATAP SINGH): Sir, the Shipping Development Fund Committee (SDFC) was established by the Government in 1959 initially to finance acquisition of ships and subsequently, fishing trawlers, from local shipyards and from abroad. Over the years, apart from promoting a significant increase in national tonnage both in the general shipping sector and in the fishing trawler industry, the SDFC has contributed significantly to the emergence of India as one of the chief maritime nations in the developing world.

In recent years shipping industry has passed through a very difficult period in view of the world-wide recession and sharp decline in freight rates. This has imposed a considerable financial burden on SDFC and has affected its ability to finance new ship acquisitions. It has, therefore, become necessary to evolve a new financing mechanism for extending adequate support to shipping and trawlers industries. After a careful review, it has been decided to wind SDFC and to create a new financing agency in the place of SDFC which would have wider financial responsibilities and greater flexibility of operation.

The new financial agency will manage the assets and liabilities of the SDFC and finance fresh ship acquisition on the basis of their viability. All India financial institutions will contribute to the equity of the new agency and the Industrial Credit and Investment Cooperation of India is being entrusted with the responsibility of promoting this agency.

The new company would extend financial assistance to shipping and trawling industries for acquisition of vessels in India and abroad. While the proposed company would function on sound commercial basis, the requisite level of concessions/support to the shipping and fishing industries would be continued to be extended in a manner to be decided by the Government. Ministry of Finance, Department of Surface Transport, Ministry of Agriculture, will have representatives on the Board of Directors on the new company.

Pending establishment of the new company, ICICI itself will undertake review of all existing cases of SDFC and also receive and process applications for fresh loans from the shipping and trawling industries for acquisition of vessels. It is expected that the new company will be set up and commence lending operations before the end of 1986.

The new institutional arrangement is expected to serve as an effective instrument for development of modern and efficient shipping and trawling industries on a viable basis.

SHRI JAGESH DESAI (Maharashtra): Mr. Vice-Chairman, Sir, I welcome the scheme of establishing a company for giving finance to those who want to purchase new vessels and trawlers.

But, Sir, I would like to draw the attention of the hon. Minister to the fact that the ship-building industry in India at present is in a very bad shape. The cost is high as compared to that of the ships manufactured in Japan and Korea. Sir, the cost in Korea is equivalent to the raw materials and spare parts used therein, the cost of the ship it to that extent only, whereas in India it is more than double that cost, and as such the Indian shipping industry is in a very bad shape. At present, as far as my information goes, the Cochin Shipyard

[Shri Jagesh Desai]

and the Vishakhapatnam Shipyard have no new orders for ship-building, as such, I request the hon. Minister: How can our ship building industries survive? For that purpose, will the Government give finance at a very nominal rate? And secondly, will the Finance Minister request the public sector undertakings like the ONGC and others who need carriers of this kind and their platforms that they should purchase their requirements from the ship-building industries? Otherwise I am afraid that within three or four years you might have to close down all these shipyards. That is why, this is a very grave situation, and I would like the hon. Minister himself to look into it and solve this problem.

SHRI NIRMAL CHATTERJEE (West Bengal): Sir, it is indeed true that there is a world-wide recession. Now, whether that recession should affect us is a question in my mind because, in fact, even now as in India there is a positive growth rate in the world shipping also excepting for one or two very interesting years when commerce, foreign trade declined more than the growth in output and that was a record. I think only in two years in the entire history of the world this has happened. Normally it is expected that if there is a positive growth rate, the world trade grows more, generally. Now, where the world trade has a positive growth rate, why should India suffer because India takes a share of less than one per cent in the total world trade? So, the Indian bottom can be profitably utilised for larger exports and unintendedly larger imports. We have an elbow room for growth and we were told in our school economics days that the opportune moment to go in for acquisition is precisely when the prices are falling. Now, we should exploit that opportunity. But at the same time there is a problem—and I suspect Mr. Jagesh Desai is also suffering from that problem—because the ship-building industry are suffering a recession because they add to the capacity.

SHRI JAGESH DESAI: I was talking about the public sector ship building industry.

SHRI NIRMAL CHATTERJEE: O.K. I understand you as you also know. I want to get an assurance. Ship-building industry is in recession because they add to the capacity and their capacity to add to the capacity is lowest when the rate of growth in the international trade is not that high. There arises the problem. A natural tendency would be to try to acquire ships at a very low rate from abroad instead of trying to build up our public sector ship building industry here itself. On that I want an assurance from the Finance Minister.

SHRI VISHWANATH PRATAP SINGH: What is the suggestion?

SHRI NIRMAL CHATTERJEE: The suggestion is that the ships are available at a very low rate from the international ship building industry but that will lure us to give up our own ship building unit. For the sake of a very short-run economy, it is possible to neglect the long-term interest of the country. I need not educate the Finance Minister on this point and everybody knows that the old set target of as early as at the time of the First Plan at least 50 per cent of our export-import trade would be carried in Indian bottom is not yet achieved. With that view I want that it is the public sector ship building industry which should be immediately and specially allotted funds for further development.

Secondly, this is another example of the usual thing—the utter inefficiency of the private sector ship building industry. If there is any case anywhere where private sector should be banned it is in the ship building industry. Will it be surprising? It will be surprising even for Mr. Desai. (*Interruptions*).

THE VICE-CHAIRMAN (SHRI H. HANUMANTHAPPA): Please do not interrupt. The Finance Minister will take care of it.

SHRI NIRMAL CHATTERJEE: Quite often we are told that for the very poor we have a scheme of differential rate of interest, which means that very poor are offered loan at the rate of 4 per cent. Will it be surprising to know that not only the very poor, but the very rich also benefit from this differential rate of interest. In fact, the SDFC was lending at that particular rate to the private sector and their defaulters. So, in this case a clarification that I want to seek.

We are scrapping the SDFC for all kinds of mishandlings, I believe, but are we once again going into that trap that liberal financing even on commercial terms? I do not know whether the hon. Minister has withdrawn this 4 per cent term. If these are available at four per cent term or even free, I suggest, let the growth in the shipping industry, not only in the ship-building industry be on-

3 P.M. ly in the public sector. The ICICI is a joint sector organisation. Once upon a time there was no nationalisation of banks (*Time bell rings*). Now it is a public sector organisation. But ICICI is still more or less a private sector or a joint sector organisation. So what I suggest is that if at all vast funds are provided and if concessional rates are to be given, let the public sector at zero rate of interest consume and expand its shipping sector.

Thirdly, Sir, I want him to explain to us that in regard to these defaulting shipping companies by when are their funds going to be got back. I am not sure whether they are also defaulters in terms of provident fund. In such cases the new perspective the Finance Minister is following is that no concessions should be given to them. I want to know whether he will stick to that principle? Thank you.

SHRI GURUDAS DAS GUPTA (West Bengal): Sir, my point is another institution is sought to be set up for financing a particular type of industry. Of late, the practice with the Government has been to set up institutions after institutions for specialised job. I would like our hon. Finance Minister to tell us, why it has become necessary to set up a separate institution for financing shipping and trawlers industry when we had other financing institutions also? Why it has become necessary to set up such a separate institution for this purpose?

Secondly, Sir, I would like to know from him that we have our nationalised banking system and this system is having with it a quite large volume of finance which sometimes lacks even outlet. Therefore, why the nationalised public sector banks cannot be made use of to finance this particular industry which is now being set up?

Thirdly, Sir, there is a mention in the first paragraph of the Minister's statement. It says that fishing trawlers from local shipyards and from abroad will be obtained. I know that he holds the finance portfolio, but he must be aware of the industrial potentiality of the shipyards and other industrial establishments. As far as I remember that a number of shipyards are lying idle, because there is no order for manufacture of trawlers. When these trawlers can be manufactured by our nationalised industry, why it has become necessary for you to finance at a very low interest those companies which import from outside? Therefore, to finance import of ships and fishing trawlers, why the state public exchequer is being spent at a low rate of interest?

Fourthly, Sir, these trawlers should not be imported from outside. I feel at least funds for importing trawlers should not be given and that too at a very low interest.

Sir, I also take this opportunity to compliment our friends in the Congress parliamentary party who have been voicing, for the last two days

[Shri Gurudas Das Gupta]

their dissensions against the present industrial policy which seems to have a tilt to the direction of the private sector. I once again compliment them and I wish them to fight well.

SHRI VISHWANATH PRATAP SINGH: You also join us.

SHRI P. N. SUKUL (Uttar Pradesh): Mr. Vice-Chairman, Sir, this new institutional arrangement indeed is a very welcome step. From this House I have been a Member of the Marine Products Export Development Authority for the yast four years. I know a pretty many details about this industry. This is one of those few industries which has shown steadily very satisfactory growth. But for want of trawlers, it is not able to have the desired growth still and I remember, three or four years back, when Rao Birendra Singh was the Agriculture Minister and Swaminathan the State Minister, so many people had applied for the trawlers and these trawlers are cleared by the Agriculture Ministry because there is a subsidy available on these trawlers. So, far purposes of that subsidy, the Agriculture Ministry has to clear. It has to sanction. It has to allow that you can have the trawlers. At that time, the then Minister was very reluctant to spend funds on this industry. He himself told us this thing very frankly with the result that whereas trawlers from Indonesia, Burma, Taiwan and from elsewhere they come here and do deep sea fishing around Andamans and elsewhere, we do not have requisite number of deep sea fishing vessels. Now it is a very good arrangement that assistance will be available to those who want to procure trawlers. It may not be so easy to construct or erect it in our own country so soon but till we are able to do it, time should not be lost and if possible, trawlers should be procured from elsewhere. This much should be clear and for that assistance is now going to be given by the Finance Ministry but it must be ensured that necessary sanction for going in for these trawlers should be given as expeditiously by the Agriculture Ministry as possible. Otherwise, the very purpose of this scheme will be defeated. I hope, the Finance Minister will look into this aspect also.

SHRI YALLA SESI BHUSHANA RAO (Andhra Pradesh): Mr. Vice-Chairman, Sir, shipping in India is in doldrums. It is nice and encouraging that another financial agency is created but there is no need for getting trawlers from outside. There are sufficient number of shipyards like Vishakhapatnam who can manufacture any type of ships and trawlers. So, I request the Finance Minister that liberalised money can be given to public sector and the Indian technical know-how can develop it. I would like to have an assurance from the Finance Minister not to get the trawlers from outside.

SHRI VISHWANATH PRATAP SINGH: Sir, one point was raised that why is there a new agency and why not the national banks take up this work? The nationalised banks provide the working capital for heavy investments. It is the term lending institutions that provide capital in this task. That is why we are thinking in terms of an institution that will take this heavy load and a specialised agency is being created because financing of shipping is a very special sort of financing with different requirements and reflexes that you should have at the right time. Also, there is a developmental aspect which is very clear and I share the sentiments that a strong shipping line is in the interest of self-reliance and if we were not to have our own shipping line and be there in the sea with our own flag ships, tremendous exploitation of the situation could be taken by foreign lines and therefore, it is very necessary that we find shipping line present there. About ship building and about Trawlers, Mr. Sukul raised a point about trawlers and Mr. Gurudas Das Gupta also mentioned about trawlers. Mr. Sukul was ex-

pressing his concern about the delay. Perhaps, he has been associated with marine exports and that be in his mind, that we need for exploiting our resources in the sea. It is true that some of the proposals of trawlers became crawlers. It is a funny situation. For years together, neither we could get it from our shipyards nor we could get it from abroad because we had a tie-up that unless this much was obtained from our shipyards, you could not get a trawler from abroad. It is a little saddening that it is not a question of shortage of orders. We went into this in detail. Out of more than 100 orders placed with our own shipyards within a certain period—I do not remember this specific period—only about four or six trawlers could be provided. So there was a heavy cost. It is not lack of orders, but the amount of time taken in producing these trawlers. (*Interruptions*). No, that were orders. They were placed and this is what could be supplied. So in these years we could not exploit our natural resources. So we have to strike a balance. We have to keep our shipyards busy with orders. We should not starve them of orders. But having given them sufficient orders, if they are unable to deliver in the time that is required for our national interests, we will have to take a flexible approach of acquiring ships rather than getting exploited because we do not have our own ships. In this context, this is an opportune time for us to buy but not, I will say, by starving our shipyards of orders. We should see that orders for our shipyards are there. But, at the same time, if they are unable to supply, we must have flexibility to exploit this opportunity. It will become harder if we don't.

SHRI NIRMAL CHATTERJEE: One of the tactics should be that we go back in the production process, instead of buying ships, because the recession would also be on ship-building machineries. So we should go back and try to buy initial machineries.

SHRI PARVATHANENI UPENDRA (Andhra Pradesh): May I add one thing? The present condition of the Hindustan Shipyard at Visakhapatnam is very bad for lack of orders, etc. It has become a vicious circle. You go on importing these things from abroad and there are no orders here. You have to do something about it.

SHRI VISHWANATH PRATAP SINGH: It is not really lack of orders. Orders are cancelled. If for years together, you don't get it, what do you do? That is the problem. Let us go to the basics. Look here, any inefficiency cannot be put under the carpet. We have to attend to the various problems and bottle-necks that are there.

About the increase in world trade growth, Mr. Nirmal Chatterjee was wondering why we could not take a share, a small percentage of it. In fact, there was a time when the rate of growth of world trade was negative. Then it slowly picked up. Then the sea-borne cargo is undergoing a change. While earlier it was oil, iron ore, coal, etc., now they are being replaced more by manufactured goods which take much less space. Also there is containerisation now. Our ships are basically old ships. Now to be able to compete with them, we have to modernise, to keep our competitive edge on them. So far as the public sector and its utilisation is concerned, when national money and investment have gone there, they should be put to productive use.

I think these were the points which were generally raised and I think I have tried my best to respond to them. Thank you.